

UNIFIED SCHOOL DISTRICT NO. 426
SCANDIA, KANSAS

REPORT ON AUDIT
SPECIAL FINANCIAL STATEMENTS

JUNE 30, 2014

BRUNA AUDITING SERVICES LLC
DEREK BRUNA
CERTIFIED PUBLIC ACCOUNTANT
WASHINGTON, KANSAS

PIKE VALLEY UNIFIED SCHOOL DISTRICT NO. 426
Scandia, Kansas

TABLE OF CONTENTS

**Page
Number**

	Independent Auditor's Report	1
STATEMENT 1	Summary of Cash Receipts, Expenditures and Unencumbered Cash	3
STATEMENT 2	Summary of Expenditures – Actual and Budget (Budgeted Funds Only)	4
STATEMENT 3 – 1	General Fund	5
STATEMENT 3 – 2	Supplemental General Fund	6
STATEMENT 3 – 3	Capital Outlay Fund	7
STATEMENT 3 – 4	Driver Training	8
STATEMENT 3 – 5	At Risk (K-12) Fund	9
STATEMENT 3 – 6	Food Service Fund	10
STATEMENT 3 – 7	Professional Development Fund	11
STATEMENT 3 – 8	Special Education Fund	12
STATEMENT 3 – 9	Vocational Education Fund	13
STATEMENT 3 – 10	Summer School Fund	14
STATEMENT 3 – 11	Textbook Rental Fund	15
STATEMENT 3 – 12	Employees Benefit Fund	16
STATEMENT 3 – 13	Title II A – Teacher Quality Fund	17
STATEMENT 3 – 14	Title I Fund – Current	18
STATEMENT 3 – 15	Title II – Ed Tech Fund	19
STATEMENT 3 – 16	KPERS Retirement Fund	20
STATEMENT 3 – 17	Contingency Reserve Fund	21
STATEMENT 3 – 18	Gift Fund	22
STATEMENT 3 – 19	Federal Reap Fund	23
STATEMENT 3 – 20	Payroll Clearing Fund	24
STATEMENT 3 – 21	Character Education FY	25
STATEMENT 4	Haywood Ostberg Trust Fund	26

PIKE VALLEY UNIFIED SCHOOL DISTRICT NO. 426

Scandia, Kansas

TABLE OF CONTENTS

STATEMENT 5	Activity/Agency Funds	27
	Notes to the Financial Statements.	28-35

BAS LLC
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Derek Bruna, CPA

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INDEPENDENT AUDITOR'S REPORT

To the Board of Education
Unified School District No. 426
Scandia, Kansas 66966

I have audited the accompanying fund summary statement of regulatory basis receipts, expenditures, and unencumbered cash balances of Unified School District No. 426, as of and for the year ended June 30, 2014 and the related notes to the financial statement.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of this financial statement in accordance with the Kansas Municipal Audit and Accounting Guide as described in Note A to meet the financial reporting requirements of the State of Kansas; this includes determining that the regulatory basis of accounting is an acceptable basis for the preparation of the financial statement in the circumstances. Management is also responsible for the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of the financial statement that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

My responsibility is to express an opinion on the financial statement based on my audit. I conducted my audit in accordance with auditing standards generally accepted in the United States of America, and the *Kansas Municipal Audit and Accounting Guide*. Those standards require I plan and perform the audit to obtain reasonable assurance about whether the financial statement is free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statement. The procedures selected depend on auditor's judgment, including the assessment of the risks of material misstatement of the financial statement, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statement in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, I express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statement.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles

As described in Note A of the financial statement, the financial statement is prepared by the Unified School District No. 426 to meet the requirements of the State of Kansas on the basis of the financial reporting provisions of the Kansas Municipal Audit and Accounting Guide, which is a basis of accounting other than accounting principles generally accepted in the United States of America.

The effects on the financial statement of the variances between the regulatory basis of accounting described in Note A and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In my opinion, because of the significance of the matter discussed in the “Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles” paragraph, the financial statement referred to above does not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Unified School District No. 426 as of June 30, 2014, or changes in financial position and cash flows thereof for the year then ended.

Opinion on Regulatory Basis of Accounting

In my opinion, the financial statement referred to above presents fairly, in all material respects, the aggregate cash and unencumbered cash balance of the Unified School District No. 426 as of June 30, 2014, and the aggregate receipts and expenditures for the year then ended in accordance with the financial reporting provisions of the Kansas Municipal Audit and Accounting Guide described in Note A.

Report on Supplementary Information

My audit was conducted for the purpose of forming an opinion on the fund summary statement of regulatory basis receipts, expenditures, and unencumbered cash balances (basic financial statement) as a whole. The summary of regulatory basis expenditures-actual and budget, individual fund schedules of regulatory basis receipts and expenditures-actual and budget, schedule of regulatory basis receipts and expenditures-agency funds are presented for analysis and are not a required part of the basic financial statement, however are required to be presented under the provisions of the Kansas Municipal Audit and Accounting Guide. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statement. The information has been subjected to the auditing procedures applied in the audit of the basic financial statement and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statement or to the basic financial statement itself, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In my opinion, the information is fairly stated in all material respects in relation to the basic financial statement as a whole, on the basis of accounting described in Note A.

The 2013 Actual column presented in the individual fund schedules of regulatory basis receipts and expenditures—actual and budget (Statement 3 as listed in the table of contents) is also presented for comparative analysis and is not a required part of the 2014 basic financial statement upon which we rendered an unmodified opinion dated November 10, 2014. The 2013 basic financial statement and our accompanying report are not presented herein, but are available in electronic form from the web site of the Kansas Department of Administration at the following link <http://da.ks.gov/ar/muniserv/>. Such 2013 comparative information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the 2013 basic financial statement. The 2013 comparative information was subjected to the auditing procedures applied in the audit of the 2013 basic financial statement and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the 2013 basic financial statement or to the 2013 basic financial statement itself, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the 2013 comparative information is fairly stated in all material respects in relation to the 2013 basic financial statement as a whole, on the basis of accounting described in Note A.

Bruna Auditing Services LLC

 CPA

Derek Bruna, CPA

Washington, Kansas

November 10, 2014

**SUMMARY OF RECEIPTS, EXPENDITURES,
AND UNENCUMBERED CASH**
Regulatory Basis
For The Year Ended June 30, 2014

										STATEMENT 1	
Fund	Statement Number	Beginning Unencumbered Cash Balance	Prior Year Cancelled Encumbrances	Receipts	Expenditures	Ending Unencumbered Cash Balance	Add Outstanding Encumbrances & A/P	Ending Cash Balance	Ending Cash		
										Balance	
General Funds:											
General Fund	3-1	\$ 1,118	\$ 0	\$ 2,001,750	\$ 2,001,750	\$ 1,118	\$ 0	\$ 1,118	\$ 1,118		
Supplemental General	3-2	26,783	0	681,392	672,164	36,011	0	36,011	36,011		
Special Purpose Funds:											
Capital Outlay Fund	3-3	489,883	0	57,922	97,710	450,095	0	450,095	450,095		
Driver Training	3-4	11,701	0	8,360	9,387	10,674	0	10,674	10,674		
At Risk-(K 12) Fund	3-5	161,135	0	151,631	170,967	141,799	0	141,799	141,799		
Food Service Fund	3-6	48,477	0	177,933	179,814	46,596	0	46,596	46,596		
Professional Development Fund	3-7	6,189	0	10,000	1,330	14,859	0	14,859	14,859		
Special Education Fund	3-8	246,520	0	375,754	387,066	235,208	0	235,208	235,208		
Vocational Education Fund	3-9	165,678	0	115,056	133,666	147,068	0	147,068	147,068		
Summer School Fund	3-10	440	0	0	0	440	0	440	440		
Textbook Rental Fund	3-11	31,184	0	30,242	14,943	46,483	0	46,483	46,483		
Employess Benefit Fund	3-12	7,840	0	19,425	23,232	4,033	0	4,033	4,033		
Title I A-Teacher Quality Fund	3-13	0	0	8,127	8,127	0	0	0	0		
Title I Fund-Current	3-14	0	0	41,046	41,046	0	0	0	0		
Title II-Ed Tech Current	3-15	0	0	0	0	0	0	0	0		
Kpers Retirement Fund	3-16	0	0	140,440	140,440	0	0	0	0		
Contingency Reserve Fund	3-17	190,001	0	0	0	190,001	0	190,001	190,001		
Gift Fund	3-18	21,791	0	4,187	5,829	20,149	0	20,149	20,149		
Federal Reap Fund	3-19	0	0	9,176	9,176	0	0	0	0		
Payroll Clearing Fund	3-20	15,170	0	169,162	173,299	11,033	0	11,033	11,033		
Character Education	3-21	1,260	0	0	796	464	0	464	464		
Total		\$ 1,425,170	\$ 0	\$ 4,001,603	\$ 4,070,742	\$ 1,356,031	\$ 0	\$ 1,356,031	\$ 1,356,031		
										Composition of Cash	
										Checking Account	\$ 731,031
										Certificate of Deposit	625,000
										Total Excluding Agency Funds	1,356,031

**REGULATORY - REQUIRED
SUPPLEMENTARY INFORMATION**

SUMMARY OF EXPENDITURES - ACTUAL AND BUDGET

Regulatory Basis

For The Year Ended June 30, 2014

STATEMENT 2

Fund	Statement Number	Certified Budget	Adjustments		Adjustments For		Total Budget For Comparison	Expenditures Chargeable To Current Year	Variance Over (Under)	
			To Comply With Legal Max		Qualifying Budget Credits					
General Funds:										
General Fund	3-1	\$ 1,973,883	\$ (29,552)		0	\$ 1,944,331	\$ 2,001,750	\$ 57,419		
Supplemental General	3-2	672,164	0		0	672,164	672,164	0		
Special Purpose Funds:										
Capital Outlay	3-3	480,000	0		0	480,000	97,710	(382,290)		
Driver Training	3-4	7,200	0		0	7,200	9,387	2,187		
At Risk (K-12)	3-5	160,800	0		0	160,800	170,967	10,167		
Food Service	3-6	186,400	0		0	186,400	179,814	(6,586)		
Professional Development	3-7	6,000	0		0	6,000	1,330	(4,670)		
Special Education	3-8	477,800	0		0	477,800	387,066	(90,734)		
Vocational Education	3-9	116,000	0		0	116,000	133,666	17,666		
Kpers Retirement	3-16	146,291	0		0	146,291	140,440	(5,851)		
TOTALS		\$ 4,226,538	(29,552)		0	\$ 4,196,986	\$ 3,794,294	\$ (402,692)		

See Accountant's Report and Accompanying Notes

**SCHEDULE OF RECEIPTS AND EXPENDITURES
ACTUAL AND BUDGET
Regulatory Basis
For The Year Ended June 30, 2014
(With Comparative Actual Totals for Prior Year Ended June 30, 2013)**

STATEMENT 3-1

	<u>GENERAL FUND</u>			
	Prior Year	Current Year		
	Actual	Actual	Budget	Variance Over
	Transactions	Transactions		(Under)
Statutory Revenues				
Taxes in Process	\$ 0	\$ 0	\$ 0	\$ 0
Ad Valorem Property Tax	260,358	284,886	268,211	16,675
Delinquent Tax	1,354	2,439	3,302	(863)
General State Aid	1,483,093	1,433,620	1,415,139	18,481
Special Education Aid	251,331	219,309	286,240	(66,931)
Pre-school Tuition	0	11,719	0	11,719
In lieu of payments	44	44	0	44
Reimbursements	30,650	49,733	0	49,733
Ed. Jobs Fund	0	0	0	0
Total Statutory Revenues	\$ 2,026,830	\$ 2,001,750	\$ 1,972,892	\$ 28,858
Expenditures				
Instruction	\$ 898,830	\$ 915,545	\$ 854,546	\$ 60,999
Student Support Services	46,684	44,176	48,300	(4,124)
Instructional Support Staff	18,788	17,686	17,150	536
Administration	294,348	298,114	303,452	(5,338)
Operations and Maintenance	420,056	443,131	436,419	6,712
Outgoing Transfers	347,866	283,098	314,016	(30,918)
Adj. To Comply With Legal Max				0
Legal General Fund Budget	2,026,572	2,001,750	1,973,883	27,867
Adj. For Qualifying Budget Credits				
Total Expenditures	\$ 2,026,572	\$ 2,001,750	\$ 1,973,883	\$ 27,867
 Cash Receipts Over (Under) Expenditures	 258	 0		
 Modified Unencumbered Cash - Beginning	 860	 1,118		
 Prior Year Cancelled Encumbrances	 	 		
 Unencumbered Cash - Ending	 \$ 1,118	 \$ 1,118		

SCHEDULE OF RECEIPTS AND EXPENDITURES
ACTUAL AND BUDGET
Regulatory Basis
For The Year Ended June 30, 2014
(With Comparative Actual Totals for Prior Year Ended June 30, 2013)

STATEMENT 3-2

SUPPLEMENTAL GENERAL FUND

	Prior Year Actual Transactions	Current Year		
		Actual Transactions	Budget	Variance Over (Under)
Statutory Revenues				
Taxes in Process	\$ 15,034	\$ 13,857	\$ 0	\$ 13,857
Ad Valorem Property Tax	324,768	397,732	11,279	386,453
Delinquent Tax	2,517	3,245	4,320	(1,075)
Motor Vehicle Tax	37,476	40,127	44,188	(4,061)
Taxes in Lieu of Payments	52	59	564	(505)
Machinery & Equip	8,020	8,649	0	8,649
Recreational Vehicle	588	621	0	621
State Aid	249,017	217,102	213,542	3,560
Total Statutory Revenues	\$ 637,472	\$ 681,392	\$ 273,893	\$ 407,499
Expenditures				
Instructional Support Staff	\$ 151,093	\$ 205,948	\$ 182,580	\$ 23,368
Operations and Maintenance	25,116	30,904	63,000	(32,096)
General Administration	0	0	18,000	(18,000)
Transportation	0	0	57,500	(57,500)
Outgoing Transfers	468,791	435,312	351,084	84,228
Adj. For Qualifying Budget Credits	0	0	0	0
Total Expenditures	\$ 645,000	\$ 672,164	\$ 672,164	\$ 0
Cash Receipts Over (Under) Expenditures	(7,528)	9,228		
Modified Unencumbered Cash - Beginning	34,311	26,783		
Prior Year Cancelled Encumbrances				
Unencumbered Cash - Ending	\$ 26,783	\$ 36,011		

SCHEDULE OF RECEIPTS AND EXPENDITURES
ACTUAL AND BUDGET
Regulatory Basis
For The Year Ended June 30, 2014
(With Comparative Actual Totals for Prior Year Ended June 30, 2013)

STATEMENT 3-3

CAPITAL OUTLAY FUND

	<u>Current Year</u>			
	<u>Prior Year Actual</u>	<u>Actual</u>	<u>Budget</u>	<u>Variance Over (Under)</u>
Cash Receipts				
Taxes in Process	\$ 0	\$ 0	0	\$ 0
Current Tax	0	29,530	28,299	1,231
Delinquent Tax	27	52	0	52
Other Local	40	0	0	0
Motor Vehicle Tax	64	0	0	0
Interest on Idle Funds	1,600	1,177	0	1,177
State Aid	0	0	0	0
Machinery and Equipment	20	0	0	0
RC - In Leiu PF Payment	0	4	0	4
Transfer from General	<u>21,535</u>	<u>27,159</u>	<u>19,016</u>	<u>8,143</u>
Total Cash Receipts	<u>\$ 23,286</u>	<u>\$ 57,922</u>	<u>47,315</u>	<u>\$ 10,607</u>
Expenditures				
Instruction	\$ 0	\$ 0	40,000	\$ (40,000)
Student Support Services	0	0	40,000	(40,000)
Instructional Support Staff	0	0	25,000	(25,000)
General Administration	0	0	25,000	(25,000)
School Administration	0	0	50,000	(50,000)
Operations & Maintenance	42,955	0	50,000	(50,000)
Transportation	14,589	41,850	150,000	(108,150)
Building Improvement	<u>16,530</u>	<u>55,860</u>	<u>100,000</u>	<u>(44,140)</u>
Total Expenditures	<u>\$ 74,074</u>	<u>\$ 97,710</u>	<u>\$ 480,000</u>	<u>\$ (382,290)</u>
Cash Receipts Over (Under) Expenditures	(50,788)	(39,788)		
Modified Unencumbered Cash - Beginning	<u>540,671</u>	<u>489,883</u>		
Prior Year Cancelled Encumbrances				
Unencumbered Cash - Ending	<u>\$ 489,883</u>	<u>\$ 450,095</u>		

**SCHEDULE OF RECEIPTS AND EXPENDITURES
ACTUAL AND BUDGET
Regulatory Basis
For The Year Ended June 30, 2014
(With Comparative Actual Totals for Prior Year Ended June 30, 2013)**

STATEMENT 3-4

DRIVER TRAINING FUND

		<u>Current Year</u>		
	<u>Prior Year Actual</u>	<u>Actual</u>	<u>Budget</u>	<u>Variance Over (Under)</u>
Cash Receipts				
State Aid	\$ 1,674	\$ 1,360	1,725	\$ (365)
Operating Transfers	6,154	7,000	5,000	2,000
Total Cash Receipts	\$ 7,828	\$ 8,360	6,725	\$ 1,635
Expenditures				
Instruction	\$ 7,151	\$ 8,603	7,200	\$ 1,403
Vehicle Operating Maintenance	613	784	0	784
Maintenance Service	0	0	0	0
Total Expenditures	\$ 7,764	\$ 9,387	7,200	\$ 2,187
Cash Receipts Over (Under) Expenditures	64	(1,027)		
Modified Unencumbered Cash - Beginning	11,637	11,701		
Prior Year Cancelled Encumbrances				
Unencumbered Cash - Ending	\$ 11,701	\$ 10,674		

SCHEDULE OF RECEIPTS AND EXPENDITURES
ACTUAL AND BUDGET
Regulatory Basis
For The Year Ended June 30, 2014
(With Comparative Actual Totals for Prior Year Ended June 30, 2013)

STATEMENT 3-5

AT RISK (K-12) FUND

	<u>Current Year</u>			
	<u>Prior Year Actual</u>	<u>Actual</u>	<u>Budget</u>	<u>Variance Over (Under)</u>
Cash Receipts				
Other Sources	\$ 0	\$ 0	\$ 0	\$ 0
Operating Transfers	<u>179,939</u>	<u>151,631</u>	<u>150,000</u>	<u>1,631</u>
Total Cash Receipts	\$ <u>179,939</u>	\$ <u>151,631</u>	\$ <u>150,000</u>	\$ <u>1,631</u>
Expenditures				
Instruction	\$ 160,106	\$ 170,967	122,200	\$ 48,767
Support	0	0	38,600	(38,600)
Maintenance	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total Expenditures	\$ <u>160,106</u>	\$ <u>170,967</u>	\$ <u>160,800</u>	\$ <u>10,167</u>
Cash Receipts Over (Under) Expenditures	19,833	(19,336)		
Modified Unencumbered Cash - Beginning	<u>141,302</u>	<u>161,135</u>		
Prior Year Cancelled Encumbrances				
Unencumbered Cash - Ending	\$ <u>161,135</u>	\$ <u>141,799</u>		

SCHEDULE OF RECEIPTS AND EXPENDITURES
ACTUAL AND BUDGET
Regulatory Basis
For The Year Ended June 30, 2014
(With Comparative Actual Totals for Prior Year Ended June 30, 2013)

STATEMENT 3-6

FOOD SERVICE FUND

	Current Year			
	Prior Year Actual	Actual	Budget	Variance Over (Under)
Cash Receipts				
Federal Aid	\$ 69,867	\$ 86,256	77,767	\$ 8,489
State Aid	1,491	1,544	1,519	25
Student & Adult Receipts	51,836	50,077	56,314	(6,237)
Operating Transfers	51,504	40,000	20,920	19,080
Miscellaneous	693	56	0	56
Total Cash Receipts	\$ <u>175,391</u>	\$ <u>177,933</u>	\$ <u>156,520</u>	\$ <u>21,413</u>
Expenditures				
Food Service Operations	<u>175,382</u>	<u>179,814</u>	<u>186,400</u>	<u>(6,586)</u>
Total Expenditures	\$ <u>175,382</u>	\$ <u>179,814</u>	\$ <u>186,400</u>	\$ <u>(6,586)</u>
Cash Receipts Over (Under) Expenditures	9	(1,881)		
Modified Unencumbered Cash - Beginning	<u>48,468</u>	<u>48,477</u>		
Prior Year Cancelled Encumbrances				
Unencumbered Cash - Ending	\$ <u>48,477</u>	\$ <u>46,596</u>		

**SCHEDULE OF RECEIPTS AND EXPENDITURES
ACTUAL AND BUDGET
Regulatory Basis
For The Year Ended June 30, 2014
(With Comparative Actual Totals for Prior Year Ended June 30, 2013)**

STATEMENT 3-7

PROFESSIONAL DEVELOPMENT FUND

	<u>Current Year</u>			
	<u>Prior Year Actual</u>	<u>Actual</u>	<u>Budget</u>	<u>Variance Over (Under)</u>
Cash Receipts				
State Aid	\$ 0	\$ 0	\$ 0	
Operating Transfers	<u>5,000</u>	<u>10,000</u>	<u>5,000</u>	<u>5,000</u>
 Total Cash Receipts	 <u>\$ 5,000</u>	 <u>\$ 10,000</u>	 <u>\$ 5,000</u>	 <u>\$ 5,000</u>
 Expenditures				
Instructional Support Staff	\$ <u>6,426</u>	\$ <u>1,330</u>	\$ <u>6,000</u>	\$ <u>(4,670)</u>
 Total Expenditures	 <u>\$ 6,426</u>	 <u>\$ 1,330</u>	 <u>\$ 6,000</u>	 <u>\$ (4,670)</u>
 Cash Receipts Over (Under) Expenditures	 (1,426)	 8,670		
 Modified Unencumbered Cash - Beginning	 <u>7,615</u>	 <u>6,189</u>		
 Prior Year Cancelled Encumbrances				
 Unencumbered Cash - Ending	 <u>\$ 6,189</u>	 <u>\$ 14,859</u>		

SCHEDULE OF RECEIPTS AND EXPENDITURES
ACTUAL AND BUDGET
Regulatory Basis
For The Year Ended June 30, 2014
(With Comparative Actual Totals for Prior Year Ended June 30, 2013)

STATEMENT 3-8

SPECIAL EDUCATION FUND

	<u>Current Year</u>			
	<u>Prior Year Actual</u>	<u>Actual</u>	<u>Budget</u>	<u>Variance Over (Under)</u>
Cash Receipts				
State Aid	\$ 0	\$ 1,937	0	\$ 1,937
Reimbursements	0	14,508	0	14,508
Operating Transfer	<u>391,331</u>	<u>359,309</u>	<u>407,164</u>	<u>(47,855)</u>
 Total Cash Receipts	 \$ <u>391,331</u>	 \$ <u>375,754</u>	 \$ <u>407,164</u>	 \$ <u>(31,410)</u>
 Expenditures				
Instructional	\$ 396,316	\$ 382,216	454,100	\$ (71,884)
Vehicle Operating Service	<u>9,784</u>	<u>4,850</u>	<u>23,700</u>	<u>(18,850)</u>
 Total Expenditures	 \$ <u>406,100</u>	 \$ <u>387,066</u>	 \$ <u>477,800</u>	 \$ <u>(90,734)</u>
 Cash Receipts Over (Under) Expenditures	 (14,769)	 (11,312)		
Modified Unencumbered Cash - Beginning	<u>261,289</u>	<u>246,520</u>		
Prior Year Cancelled Encumbrances				
Unencumbered Cash - Ending	\$ <u>246,520</u>	\$ <u>235,208</u>		

SCHEDULE OF RECEIPTS AND EXPENDITURES
ACTUAL AND BUDGET
Regulatory Basis
For The Year Ended June 30, 2014
(With Comparative Actual Totals for Prior Year Ended June 30, 2013)

STATEMENT 3-9

VOCATIONAL EDUCATION FUND

		Current Year		
	Prior Year Actual	Actual	Budget	Variance Over (Under)
Cash Receipts				
Operating Transfers	\$ 151,194	\$ 115,056	58,000	\$ 57,056
Total Cash Receipts	\$ 151,194	\$ 115,056	\$ 58,000	\$ 57,056
Expenditures				
Instruction	\$ 110,275	\$ 133,666	\$ 116,000	\$ 17,666
Total Expenditures	\$ 110,275	\$ 133,666	\$ 116,000	\$ 17,666
Cash Receipts Over (Under) Expenditures	40,919	(18,610)		
Modified Unencumbered Cash - Beginning	124,759	165,678		
Prior Year Cancelled Encumbrances				
Unencumbered Cash - Ending	\$ 165,678	\$ 147,068		

SCHEDULE OF RECEIPTS AND EXPENDITURES
Regulatory Basis
For The Year Ended June 30, 2014
(With Comparative Actual Totals for Prior Year Ended June 30, 2013)

STATEMENT 3-10

SUMMER SCHOOL FUND

	<u>Current Year</u>			
	<u>Prior Year Actual</u>	<u>Actual</u>	<u>Budget</u>	<u>Variance Over (Under)</u>
Cash Receipts				
Operating Transfers	\$ <u>0</u>	\$ <u>0</u>	\$ <u>0</u>	\$ <u>0</u>
Total Cash Receipts	\$ <u><u>0</u></u>	\$ <u><u>0</u></u>	\$ <u><u>0</u></u>	\$ <u><u>0</u></u>
Expenditures				
Instruction	\$ <u>0</u>	\$ <u>0</u>	\$ <u>0</u>	\$ <u>0</u>
Total Expenditures	\$ <u><u>0</u></u>	\$ <u><u>0</u></u>	\$ <u><u>0</u></u>	\$ <u><u>0</u></u>
 Cash Receipts Over (Under) Expenditures	 0	 0		
Modified Unencumbered Cash - Beginning	<u>440</u>	<u>440</u>		
Prior Year Cancelled Encumbrances				
Unencumbered Cash - Ending	\$ <u><u>440</u></u>	\$ <u><u>440</u></u>		

SCHEDULE OF RECEIPTS AND EXPENDITURES
Regulatory Basis
For The Year Ended June 30, 2014
(With Comparative Actual Totals for Prior Year Ended June 30, 2013)

STATEMENT 3-11

TEXTBOOK RENTAL FUND

	<u>Prior Year Actual</u>	<u>Current Year Actual</u>
Cash Receipts		
Rental Fees	\$ 7,049	\$ 6,930
Transfers	<u>10,000</u>	<u>23,312</u>
Total Cash Receipts	<u><u>17,049</u></u>	<u><u>30,242</u></u>
 Expenditures		
Instruction Supplies	<u>20,150</u>	<u>14,943</u>
Total Expenditures	<u><u>20,150</u></u>	<u><u>14,943</u></u>
 Cash Receipts Over (Under) Expenditures	 (3,101)	 15,299
Modified Unencumbered Cash - Beginning	<u>34,285</u>	<u>31,184</u>
 Prior Year Cancelled Encumbrances		
Unencumbered Cash - Ending	\$ <u><u>31,184</u></u>	\$ <u><u>46,483</u></u>

SCHEDULE OF RECEIPTS AND EXPENDITURES
Regulatory Basis
For The Year Ended June 30, 2014
(With Comparative Actual Totals for Prior Year Ended June 30, 2013)

STATEMENT 3-12

EMPLOYEES BENEFIT FUND

	<u>Prior Year Actual</u>	<u>Current Year Actual</u>
Cash Receipts		
Dependent Child Care	\$ 0	\$ 0
Medical Reimbursement	<u>22,833</u>	<u>19,425</u>
Total Cash Receipts	<u><u>22,833</u></u>	<u><u>19,425</u></u>
 Expenditures		
DayCare Reimbursement	0	0
Medical Reimbursement	<u>22,090</u>	<u>23,232</u>
Total Expenditures	<u><u>22,090</u></u>	<u><u>23,232</u></u>
 Cash Receipts Over (Under) Expenditures	 743	 (3,807)
Modified Unencumbered Cash - Beginning	<u>7,097</u>	<u>7,840</u>
 Prior Year Cancelled Encumbrances		
Unencumbered Cash - Ending	\$ <u><u>7,840</u></u>	\$ <u><u>4,033</u></u>

PIKE VALLEY UNIFIED SCHOOL DISTRICT NO. 426 Scandia, Kansas

SCHEDULE OF RECEIPTS AND EXPENDITURES
Regulatory Basis
For The Year Ended June 30, 2014
(With Comparative Actual Totals for Prior Year Ended June 30, 2013)

STATEMENT 3-13

TITLE II A TEACHER QUALITY FUND

	<u>Prior Year Actual</u>	<u>Current Year Actual</u>
Cash Receipts		
Grant	\$ <u>8,664</u>	\$ <u>8,127</u>
Total Cash Receipts	<u>8,664</u>	<u>8,127</u>
Expenditures		
Technical Services	<u>8,664</u>	<u>8,127</u>
Total Expenditures	<u>8,664</u>	<u>8,127</u>
Cash Receipts Over (Under) Expenditures	0	0
Modified Unencumbered Cash - Beginning	<u>0</u>	<u>0</u>
Prior Year Cancelled Encumbrances		
Unencumbered Cash - Ending	\$ <u>0</u>	\$ <u>0</u>

PIKE VALLEY UNIFIED SCHOOL DISTRICT NO. 426 Scandia, Kansas

SCHEDULE OF RECEIPTS AND EXPENDITURES
Regulatory Basis
For The Year Ended June 30, 2014
(With Comparative Actual Totals for Prior Year Ended June 30, 2013)

STATEMENT 3-14

TITLE I FUND - CURRENT

	Prior Year Actual	Current Year Actual
Cash Receipts		
Federal Sources	\$ 45,607	\$ 41,046
Total Cash Receipts	<u>45,607</u>	<u>41,046</u>
Expenditures		
Instruction	<u>45,607</u>	<u>41,046</u>
Total Expenditures	<u>45,607</u>	<u>41,046</u>
Cash Receipts Over (Under) Expenditures	0	0
Modified Unencumbered Cash - Beginning	<u>0</u>	<u>0</u>
Prior Year Cancelled Encumbrances		
Unencumbered Cash - Ending	\$ <u>0</u>	\$ <u>0</u>

SCHEDULE OF RECEIPTS AND EXPENDITURES
Regulatory Basis
For The Year Ended June 30, 2014
(With Comparative Actual Totals for Prior Year Ended June 30, 2013)

STATEMENT 3-15

TITLE II - ED TECH FUND

	<u>Prior Year Actual</u>	<u>Current Year Actual</u>
Cash Receipts		
Federal	\$ 0	\$ 0
Total Cash Receipts	<u>0</u>	<u>0</u>
 Expenditures		
Instruction	0	0
Materials and Equipment	<u>0</u>	<u>0</u>
Total Expenditures	<u>0</u>	<u>0</u>
 Cash Receipts Over (Under) Expenditures	0	0
Modified Unencumbered Cash - Beginning	<u>0</u>	<u>0</u>
Prior Year Cancelled Encumbrances		
Unencumbered Cash - Ending	\$ <u>0</u>	\$ <u>0</u>

SCHEDULE OF RECEIPTS AND EXPENDITURES
ACTUAL AND BUDGET
Regulatory Basis
For The Year Ended June 30, 2014
(With Comparative Actual Totals for Prior Year Ended June 30, 2013)

STATEMENT 3-16

KPERS RETIREMENT FUND

	Prior Year Actual	Current Year		Variance Over (Under)
		Actual	Budget	
Cash Receipts				
State Sources	\$ 122,933	\$ 140,440	\$ 146,291	\$ (5,851)
Total Cash Receipts	\$ 122,933	\$ 140,440	\$ 146,291	\$ (5,851)
Expenditures				
Instructional	\$ 78,677	\$ 87,663	89,791	\$ (2,128)
Student Support	7,376	8,796	10,000	(1,204)
Librarian	2,459	3,178	0	3,178
Principals/Sec	7,376	11,188	0	11,188
Administration	14,752	16,853	27,000	(10,147)
Other	0	0	0	0
Maintenance	6,147	7,392	9,000	(1,608)
Transportation	1,229	1,774	3,500	(1,726)
Food Service	4,917	3,596	7,000	(3,404)
Total Expenditures	\$ 122,933	\$ 140,440	\$ 146,291	\$ (5,851)
Cash Receipts Over (Under) Expenditures	0	0		
Modified Unencumbered Cash - Beginning	0	0		
Prior Year Cancelled Encumbrances				
Unencumbered Cash - Ending	\$ 0	\$ 0		

SCHEDULE OF RECEIPTS AND EXPENDITURES
Regulatory Basis
For The Year Ended June 30, 2014
(With Comparative Actual Totals for Prior Year Ended June 30, 2013)

STATEMENT 3-17

CONTINGENCY RESERVE FUND

	<u>Prior Year Actual</u>	<u>Current Year Actual</u>
Cash Receipts		
Operating Transfers	\$ <u>0</u>	\$ <u>0</u>
Total Cash Receipts	<u>0</u>	<u>0</u>
 Expenditures		
Transfer	<u>0</u>	<u>0</u>
Total Expenditures	<u>0</u>	<u>0</u>
 Cash Receipts Over (Under) Expenditures	0	0
Modified Unencumbered Cash - Beginning	<u>190,001</u>	<u>190,001</u>
Prior Year Cancelled Encumbrances		
Unencumbered Cash - Ending	\$ <u>190,001</u>	\$ <u>190,001</u>

SCHEDULE OF RECEIPTS AND EXPENDITURES
ACTUAL AND BUDGET
Regulatory Basis
For The Year Ended June 30, 2014
(With Comparative Actual Totals for Prior Year Ended June 30, 2013)

STATEMENT 3-18

GIFT FUND

	Prior Year Actual	Current Year		
		Actual	Budget	Variance Over (Under)
Cash Receipts				
Operating Transfers	\$ 21,986	\$ 4,187	0	\$ 4,187
Total Cash Receipts	\$ 21,986	\$ 4,187	0	\$ 4,187
Expenditures				
Instruction	\$ 195	\$ 5,829	12,500	\$ (6,671)
Total Expenditures	\$ 195	\$ 5,829	12,500	\$ (6,671)
Cash Receipts Over (Under) Expenditures	21,791	(1,642)		
Modified Unencumbered Cash - Beginning	0	21,791		
Prior Year Cancelled Encumbrances				
Unencumbered Cash - Ending	\$ 21,791	\$ 20,149		

SCHEDULE OF RECEIPTS AND EXPENDITURES
Regulatory Basis
For The Year Ended June 30, 2014
(With Comparative Actual Totals for Prior Year Ended June 30, 2013)

STATEMENT 3-19

	<u>FEDERAL REAP FUND</u>	
	<u>Prior Year Actual</u>	<u>Current Year Actual</u>
Cash Receipts		
Grant	\$ <u>41,683</u>	\$ <u>9,176</u>
Total Cash Receipts	<u><u>41,683</u></u>	<u><u>9,176</u></u>
 Expenditures		
Technical Services	<u>41,683</u>	<u>9,176</u>
Total Expenditures	<u><u>41,683</u></u>	<u><u>9,176</u></u>
 Cash Receipts Over (Under) Expenditures	0	0
 Modified Unencumbered Cash - Beginning	<u>0</u>	<u>0</u>
 Prior Year Cancelled Encumbrances		
 Unencumbered Cash - Ending	\$ <u><u>0</u></u>	\$ <u><u>0</u></u>

SCHEDULE OF RECEIPTS AND EXPENDITURES
Regulatory Basis
For The Year Ended June 30, 2014
(With Comparative Actual Totals for Prior Year Ended June 30, 2013)

STATEMENT 3-20

PAYROLL CLEARING FUND

	<u>Prior Year Actual</u>	<u>Current Year Actual</u>
Cash Receipts		
Payroll Deductions	\$ <u>179,433</u>	\$ <u>169,162</u>
Total Cash Receipts	<u>179,433</u>	<u>169,162</u>
 Expenditures		
Insurance Premiums	<u>178,687</u>	<u>173,299</u>
Total Expenditures	<u>178,687</u>	<u>173,299</u>
 Cash Receipts Over (Under) Expenditures	 746	 (4,137)
Modified Unencumbered Cash - Beginning	<u>14,424</u>	<u>15,170</u>
Prior Year Cancelled Encumbrances		
Unencumbered Cash - Ending	\$ <u>15,170</u>	\$ <u>11,033</u>

SCHEDULE OF RECEIPTS AND EXPENDITURES
Regulatory Basis
For The Year Ended June 30, 2014
(With Comparative Actual Totals for Prior Year Ended June 30, 2013)

STATEMENT 3-21

CHARACTER EDUCATION GRANT

	<u>Prior Year Actual</u>	<u>Current Year Actual</u>
Cash Receipts		
Federal Grant	\$ <u>1,500</u>	\$ <u>0</u>
Total Cash Receipts	<u>1,500</u>	<u>0</u>
 Expenditures		
Education	<u>240</u>	<u>796</u>
Total Expenditures	<u>240</u>	<u>796</u>
 Cash Receipts Over (Under) Expenditures	 1,260	 (796)
Modified Unencumbered Cash - Beginning	<u>0</u>	<u>1,260</u>
Prior Year Cancelled Encumbrances		
Unencumbered Cash - Ending	\$ <u>1,260</u>	\$ <u>464</u>

SUMMARY OF RECEIPTS, EXPENDITURES,
AND UNENCUMBERED CASH
Regulatory Basis
For The Year Ended June 30, 2014

STATEMENT 4

TRUST FUNDS

Fund	Beginning Unencumbered Cash Balance	Prior Year Cancelled Encumbrances	Receipts	Expenditures	Ending Unencumbered Cash Balance	Add Encumbrances/ Accounts Pay.	Ending Cash Balance
Activity							
Haywood Ostberg	\$ 144,097	\$	148 \$	1,100 \$	143,145 \$	\$	143,145
Total Trust Funds	\$ 144,097	\$	148 \$	1,100 \$	143,145 \$	0	143,145

SUMMARY OF RECEIPTS, EXPENDITURES,
AND UNENCUMBERED CASH
Regulatory Basis
For The Year Ended June 30, 2014

STATEMENT 5

DISTRICT/SCHOOL ACTIVITY FUNDS

Fund	Beginning Unencumbered Cash Balance	Prior Year Cancelled Encumbrances	Receipts	Expenditures	Ending Unencumbered Cash Balance	Add Encumbrances/ Accounts Pay.	Ending Cash Balance
High School Activity							
Concessions	\$ 0	\$	\$ 702	\$ 702	\$ 0	\$	\$ 0
Class of 2015	1,805		16,605	14,692	3,718		3,718
FFA	6,614		13,586	12,956	7,244		7,244
Kayettes	988		4,499	4,920	567		567
Student Council	409		338	420	327		327
FCCLA	797		3,523	4,005	315		315
Play	4,335		2,674	2,781	4,228		4,228
Office Activities	382		0	0	382		382
Flag Team	470		0	0	470		470
National Honor Society	624		2,070	2,085	609		609
Music Club	107		0	0	107		107
Panther Prints	2,632		12,140	9,763	5,009		5,009
Library	96		0	0	96		96
Cheerleaders	1,121		9,039	10,323	(163)		(163)
FCA Club	30		0	0	30		30
FBLA	1,744		4,201	4,067	1,878		1,878
Subtotal High School	\$ 22,154	\$	\$ 69,377	\$ 66,714	\$ 24,817	\$ 0	\$ 24,817
Junior High Activity							
Jr. High Pep Club	\$ 2,949	\$	\$ 4,120	\$ 3,449	\$ 3,620	\$	\$ 3,620
Library	293		2,566	1,737	1,122		1,122
Panther Paws	0		0	0	0		0
Stucco	195		991	686	500		500
Playground Equipment	1,258		0	669	589		589
Subtotal Middle School	\$ 4,695	\$	\$ 7,677	\$ 6,541	\$ 5,831	\$ 0	\$ 5,831
Athletic Gate Receipts							
High School	\$ 1,807	\$	\$ 19,323	\$ 21,105	\$ 25	\$	\$ 25
Junior High	1,651		0	0	1,651		1,651
Subtotal Athletic Receipts	\$ 3,458	\$	\$ 19,323	\$ 21,105	\$ 1,676	\$ 0	\$ 1,676
Clearing Accounts							
High School Activity	\$	\$	\$	\$	\$ 0	\$	\$ 0
Lunch	15		15,817	15,832	0		0
Industrial Arts	0		4,464	3,992	472		472
Vo Ag	0		145	145	0		0
Band	0		720	720	0		0
Book Rental	0		2,035	2,035	0		0
FACS	0		0	0	0		0
Long Distance Calls	0		0	0	0		0
District Money	0		8,066	8,066	0		0
Petty Cash	0		1,000	1,000	0		0
Junior High Activity					0		0
Lunch	0		34,534	34,534	0		0
Book Rental	0		4,895	4,895	0		0
Band	0		396	396	0		0
Petty Cash	0		4,674	4,662	12		12
Subtotal Clearing	15		76,746	76,277	484	0	484
Total Activity Funds	30,322	0	173,123	170,637	32,808	0	32,808

PIKE VALLEY UNIFIED SCHOOL DISTRICT NO. 426

Scandia, Kansas

NOTES TO FINANCIAL STATEMENTS

June 30, 2014

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Financial Reporting Entity

Unified School District No. 426 is a municipal Corporation established under Kansas Statutes with territory in Republic, Cloud and Jewell counties. All USDs in Kansas are required to be audited under K.S.A. 75-1122. The District is governed by an elected seven member board. The financial statements present the financial condition and results of operation of the district. The District's major operations include primary and secondary education for young people in the aforementioned counties. The scope of the entity for financial reporting purposes is designed as those funds for which the District has oversight responsibility and is primarily accountable. Oversight responsibility includes budgetary authority and fiscal management responsibility. Budgetary authority is defined as authority for final approval of budgetary appropriations and revisions. Fiscal management responsibility is control of the collection and disbursement of funds.

This report is intended solely for the information and use of the Board of Education and management of USD 426, and for filing with the Kansas Department of Administration, Division of Accounts and Reports, and Kansas State Board of Education, and should not be used for any other purposes. The Kansas Municipal Audit and Accounting Guide will be referred to as KMAAG throughout the notes.

Basis of Presentation

In governmental accounting, a fund is defined as an independent fiscal and accounting entity with a self-balancing set of accounts recording cash and other financial resources, together with all related liabilities and residual equities or balances, and changes therein, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restricts, or limitations. The following are Regulatory Basis Fund Types:

Regulatory Basis Fund Types

General fund – the chief operating fund. Used to account for all resources except those required to be accounted for in another fund.

Special Purpose fund – used to account for the proceeds of specific tax levies and other specific revenue sources (other than Capital Project and tax levies for long-term debt) that are intended for specified purposes.

Bond and Interest fund – used to account for the accumulation of resources, including tax levies, transfers from other funds and payment of general long-term debt.

Capital project fund – used to account for the debt proceeds and other financial resources to be used for acquisition or construction of major capital facilities or equipment.

Business fund – funds financed in whole or in part by fees charged to users of the goods or services (i.e. enterprise and internal service fund etc.)

Trust fund – funds used to report assets held in trust for the benefit of the municipal financial reporting entity (i.e. pension funds, investment trust funds, private purpose trust funds which benefit the municipal reporting entity, scholarship funds, etc.).

Agency fund – funds used to report assets held by the municipal reporting entity in a purely custodial capacity (payroll clearing fund, county treasurer tax collection accounts, etc.).

Basis of Accounting-KMAAG Regulatory Basis of Accounting (Formerly Statutory Basis)

The KMAAG regulatory audit requirement of K.S.A. 75-1122 applies to each individual municipality as defined in K.S.A. 75-1117. The KMAAG regulatory financial reporting entity is comprised of the "municipality" as defined in K.S.A. 75-1117, as a minimum, and may also include certain separate legal entities referred to as "related municipal entities" as defined by KMAAG.

PIKE VALLEY UNIFIED SCHOOL DISTRICT NO. 426

Scandia, Kansas

NOTES TO FINANCIAL STATEMENTS

June 30, 2014

The KMAAG regulatory basis of accounting involves the recognition of cash, cash equivalents, marketable investments, and certain accounts payable and encumbrance obligations to arrive at a net unencumbered cash and investments balance on a regulatory basis for each fund, and the reporting of changes in unencumbered cash and investments of a fund resulting from the difference in regulatory basis revenues and regulatory basis expenditures for the fiscal year. All recognized assets and liabilities are measured and reported at cost, unless they have been permanently impaired and have no future cash value or represent no future obligation against cash. The KMAAG regulatory basis does not recognize capital assets, long-term debt, accrued receivables and payables, or any other assets, liabilities or deferred inflows or outflows, other than those mentioned above.

GAAP Basis Financial Statements - Minimum Requirements. GAAP basis financial statements are financial statements prepared in accordance with "Governmental Accounting and Financial Reporting Standards" as promulgated by the Governmental Accounting Standards Board (GASB). For KMAAG purposes, if GAAP basis financial statements are presented, the basic financial statements and notes must be presented at a minimum. All other supplemental schedules are optional. However, the KMAAG mandatory note disclosures (if applicable) must still be presented even though they might not otherwise be required by GAAP to be included in the notes. KMAAG does not provide an example of GAAP financial statements.

Regulatory Basis Financial Statements - Minimum Requirements. If GAAP basis financial statements are not presented, then: 1) a GAAP waiver resolution must be passed, and 2) regulatory basis financial statements including regulatory-required supplementary information, must be presented. Regulatory basis financial statements are financial statements prepared in accordance with the guidelines of KMAAG. Such financial statements are prepared on a basis of accounting which demonstrates compliance with the cash basis and budget laws of the State of Kansas and prepared in accordance with the prescribed format established by KMAAG.

The regulatory basis financial statement consists of a single basic financial statement which is a summary statement containing all funds and related municipalities included in the financial reporting entity and demonstrating compliance with the cash basis law. The remainder of the required financial information to be presented is considered regulatory-required supplementary information which includes 1) a fund summary schedule containing all funds and showing compliance with the budget law for those funds required to be budgeted, 2) individual fund schedules for all funds except agency funds, with budget comparisons for those funds required to be budgeted, 3) a fund summary schedule, for agency funds only, showing cash balances and changes therein, and 4) special schedules unique to the municipality. Note: Regulatory-required supplementary information are the additional schedules that are required to be presented under the provisions of the Kansas Municipal Audit and Accounting Guide and are not to be considered as required supplementary information as defined by auditing standards generally accepted in the United States of America. In addition, the KMAAG mandatory note disclosures must be presented and must include all disclosures necessary for fair presentation in accordance with the KMAAG regulatory basis framework. All other schedules that may be presented are optional.

Departure from GAAP

A waiver from the requirement to prepare and audit GAAP basis financial statements is necessary *only if* the municipality decides to present regulatory basis financial statements. A waiver is not required for financial statements that are prepared in accordance with the GAAP basis framework but include certain departures from GAAP. For example, if GAAP financial statements are presented but do not include the management discussion and analysis, this would be a departure from GAAP. However, even lacking the management discussion and analysis required supplementary information, the basic financial statements may still be presented on a GAAP basis framework, thus a waiver would not be required. The District has approved a resolution that is compliance with K.S.A. 75-1120a(c) waiving the annual for application of GAAP for the year ended 6/30/14. This waiver is completed annually and allows the District to use the regulatory basis of accounting.

The basis of accounting described above results in a financial statement presentation, which shows cash receipts, cash disbursements, cash and unencumbered cash balance, and expenditures compared to budget. Balance sheets that would have shown noncash assets such as receivables, inventories, and prepaid expense, liabilities such as deferred revenue and matured principal and interest payable, and reservations of the fund balance are not presented. Under generally accepted accounting principles, encumbrances are only recognized as a reservation of fund balance; encumbrances outstanding at year-end do not constitute expenditures or liabilities. Consequently, the expenditures as reported do not present the cost of goods and services received during the fiscal year in accordance with generally accepted accounting principles. General fixed assets that account for the land, buildings, and equipment owned by the municipality are not presented in the financial statement.

PIKE VALLEY UNIFIED SCHOOL DISTRICT NO. 426

Scandia, Kansas

NOTES TO FINANCIAL STATEMENTS

June 30, 2014

Reimbursed Expenses

The purpose of these expenditures is to repay the district for amounts remitted on behalf of another party and such expenditures are exempt for the budget law under K.S.A. 79-2934. Reimbursed expenses are defined as repayments of amounts remitted on behalf of another party. All reimbursed expenses shown in the financial statements meet the following criteria: 1) the related disbursement was made in the current year on behalf of the payee, 2) the item paid for was directly identifiable as having been used by or provided to the payee, and 3) the amount of the reimbursed expense was directly tied to the amount of the original cash disbursement. The Municipality records reimbursable expenditures in the fund that makes the disbursement and records reimbursements as a receipt to the fund that receives the reimbursement. For purposes of budgetary comparisons, the expenditures are properly offset by the reimbursements under KMAAG regulatory basis accounting.

2013 Financial Data

Amounts that are shown for 2013 in the accompanying financial statements are included where practical, only to provide a basis for comparison with 2014, and are not intended to present all information necessary for a fair presentation in accordance with generally accepted accounting principles.

Cash and Investments

Cash balances from all funds are combined and invested to the extent available in certificates of deposit and other authorized investments. Earnings from these investments are allocated to designated funds. All investments are stated at cost.

Ad Valorem Tax Revenue

The determination of assessed valuation and the collections of property taxes for all political subdivisions in the State of Kansas is the responsibility of the various counties. The County Appraiser's Office annually the determination of assessed valuation and the collections of property taxes for all political subdivisions in determines assessed valuation and the County Clerk spreads the annual assessment on the tax rolls. One-half of the property taxes are due December 20 and distributed to the District by January 20 to help finance the current year's budget. The second half is due May 10 and distributed to the District June 5. The District Treasurer draws all available funds from the County Treasurer's Office at designated times throughout the year.

Budgetary Data

Kansas statutes require that an annual operating budget be legally adopted for the general fund, special revenue funds (unless specifically exempted by statute), debt service fund. The statutes provide for the following sequence and time table in the adoption of the annual operating budget:

- Preparation of the budget for the succeeding calendar year on or before August 1st.
- Publication in local newspaper of the proposed budget and notice of public hearing on the budget on or before August 5th.
- Public hearing on or before August 15th, but at least ten days after publication of notice of hearing.
- Adoption of the final budget on or before August 25th.

The statutes allow for the governing body to increase the originally adopted budget for previously unbudgeted increase in revenue other than ad valorem property taxes. To do this, a notice of public hearing to amend the budget must be published in the local newspaper. At least 10 days after publication the hearing may be held and the governing body may amend the budget at that time. These taxes become a lien against all property November 1st. Taxpayers have the option of paying in full or in two installments. The delinquency dates are December 20 and May 10. Delinquent taxes are assessed interest at 9% per annum. This interest is retained by the County.

The statutes permit transferring budgeted amounts between line items within an individual fund. However, such statutes prohibit expenditures in excess of the total amount of the adopted budget of expenditures of individual funds. Budget comparison statements are presented for each fund showing actual receipts and expenditures compared to legally budget receipts and expenditures.

All legal annual operating budgets are prepared using the modified accrual basis of accounting, modified further by the encumbrance method of accounting. Revenues are recognized when cash is received. Expenditures include disbursements, accounts payable, and encumbrances. Encumbrances are commitments by the municipality for future payments and are supported by a document evidencing

PIKE VALLEY UNIFIED SCHOOL DISTRICT NO. 426

Scandia, Kansas

NOTES TO FINANCIAL STATEMENTS

June 30, 2014

the commitment, such as a purchase order or contract. All unencumbered appropriations (legal budget expenditures authority) lapse at year-end.

A legal operating budget is not required for trust funds, agency funds, and the following special revenue funds: Textbooks and Student Materials, Athletic Gate Receipts and other School Agency/Activity Funds, Fee and User Charges/Clearing Accounts, Contingency Reserve, Employee Benefits, and Federal Funds.

Spending in funds which are not subject to the legal annual operating budget requirement are controlled by federal regulations, other statutes, or by the use of internal spending limits established by the governing body.

Inventories and prepaid expenses which benefit future periods are recorded as an expenditures during the year of purchase. For disclosure purposes, material inventories would be reported as an asset offset by a reserve. The district had no material inventories.

A legal operating budget is not for required for the contingency fund, trust and agency funds, and the following special revenue funds: Textbook Rental, Employee Benefit, Title IIA-Teacher Quality, Title I, Federal REAP, Payroll Clearing, Character Education, and Title II-Ed Tech Current.

NOTE B - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Compliance With Kansas Statutes and Other Finance Related Legal Matters

There are no noted violations with such compliance requirements.

NOTE C- DEPOSITS AND INVESTMENTS

Deposits

K.S.A. 9-1401 establishes the depositories which may be used by the District. The statute requires banks eligible to hold the District's funds have a main branch bank in the county in which the District is located, or in an adjoining county if such institution has been designated as an official depository, and the banks provide an acceptable rate of return on funds. In addition, K.S.A. 9-1402 requires the banks to pledge securities for deposits in excess of FDIC coverage. The District has no other policies that would further limit interest rate risk. Cash balances from all funds are combined and invested to the extent available in certificates of deposits and other authorized investments. Earnings from these investments are allocated to designated funds. All investments are stated at cost.

Custodial Credit Risk

Custodial credit risk is the risk that in the event of a bank failure, the Municipality's deposits may not be returned to it. State statutes require the Municipality's deposits in financial institutions to be entirely covered by federal depository insurance or by collateral held under a joint custody receipt issued by a bank within the State of Kansas, the Federal Reserve Bank of Kansas City, or the Federal Home Loan Bank of Topeka, except during designated "peak periods" when required coverage is 50%. All deposits were legally secured at December 31, 2013.

At year-end the carrying amount of the district's deposits, including certificates of deposit was \$1,356,031. The bank balance was \$731,031 and activity operating accounts had a balance of \$32,808. The District had CDs in the amount of \$625,000. The difference between the carrying amount and the bank balance are outstanding checks and deposits in transit. Of the bank balance, \$500,000 was covered by FDIC insurance and the remaining balance was collateralized by pledged securities held under joint custody receipts issued by a third-party bank in the district's name. The third-party bank holding the pledged securities is independent of the pledging bank. The pledged securities are held under a third-party custodial agreement signed by all three parties: the district, the pledging bank, and the independent third-party banks holding the securities.

Investment Policy

K.S.A. 12-1675 limits the District's investment of idle funds to time deposits, open accounts, and certificates of deposit with allowable financial institutions; U.S. government securities; temporary notes; no-fund warrants; repurchase agreements; and the Kansas Municipal Investment Pool. The District has no investment policy that would further limit investment choices. Funds of the district were on deposit in interest bearing accounts in banks and Certificates of Deposits issued by banks at June 30, 2014.

PIKE VALLEY UNIFIED SCHOOL DISTRICT NO. 426

Scandia, Kansas

NOTES TO FINANCIAL STATEMENTS

June 30, 2014

The cash of each of the funds of the district is pooled together so that better management of cash and investments can be practiced, resulting in greater earnings accruing to the district. Please refer to Statement 1 to review how the various funds are accruing interest.

Concentration of Credit Risk

State statutes place no limit on the amount the District may invest in any one issuer as long as the investments are adequately secured under K.S.A. 9-1402 and 9-1405.

Custodial Credit Risk – investments

For an investment, this is the risk that, in the event of the failure of the issuer or counterparty, the Municipality will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. State statutes require investments to be adequately secured.

NOTE D- FRINGE BENEFIT PLAN I.R.C. 125

The District has in place an IRS-IRC Section #125 "Cafeteria" Fringe Benefit Plan. The options under the plan are salary reduction options. In addition, each employee may choose to take the benefit in cash, a taxable option. Employees that are eligible for the plan are all full time employees. The plan year runs from October 1 to September 30 annually. The maximum benefit allowance per employee is \$2500/yr and \$2500 for the years ended June 30, 2014, and 2013. Provisions available are:

- Group Health Insurance
- Group Term Life Insurance (\$50,000 maximum) Salary Protection Insurance
- Cancer Insurance
- Medical Reimbursement Accounts
- Dependent Care Reimbursement Accounts

NOTE E- CONTINGENT LIABILITIES

The district has computed the unfunded accumulated sick/personal leave costs as of June 30, 2014 and 2013, to be \$133,367 and \$140,812, respectively. The number of employees for the respective years were 60 and 60. Please Refer to Note F for further information on compensated absences.

NOTE F- COMPENSATED ABSENCES

The district's policy wherein each qualified employee is allowed to accumulate a maximum of 75 days of sick leave at a rate of 12 days per term. Teachers are to be reimbursed at the rate of \$30 per day for any unused sick leave accumulated over the maximum of 75 leave days. The maximum reimbursement is \$250/teacher per year. Any unused accumulated sick leave may be used by the employee during his/her employment with the district. If employment is severed, the unused accumulated amount is not reimbursed. Employees cannot convert unused sick leave to vacation. There is no merit pay provision in the schools negotiated agreement nor is there a good health or absentee benefit. Teachers are granted 2 days personal leave per contract year. Substitutes are not provided for these positions during the employee's absence, therefore, a dollar amount for these liabilities has not been accrued.

NOTE G- DEFINED BENEFIT PENSION PLAN

Plan description. The District participates in the Kansas Public Employees Retirement System (KPERs), a cost-sharing, multiple-employer defined benefit pension plan as provided by K.S.A. 74-4901, etc. seq. KPERs provides retirement benefits, life insurance, disability income benefits, and death benefits. Kansas law establishes and amends benefit provisions. KPERs issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to KPERs (611 South Kansas, Suite 100, Topeka, KS 66603) or by calling 1-888-275-5737.

Funding Policy. K.S.A. 74-4919 and K.S.A. 74-4921 establish the KPERs member-employee contribution rates. Effective July 1, 2009 KPERs has two benefit structures and funding depends on whether the employee is a Tier 1 or Tier 2 member. Tier 1 members are active and contributing members hired before July 1, 2009. Tier 2 members were first employed in a covered position on or after July 1, 2009. Kansas law establishes the KPERs member-employee contribution rate of 5% of covered salary for Tier 1 members starting January 1, 2014 and 6% starting January 1, 2015. Tier 2 members remain at 6% of covered salary. Member employees' contributions are withheld by their employer and paid to KPERs according to the provisions of Section 414(h) of the Internal

PIKE VALLEY UNIFIED SCHOOL DISTRICT NO. 426

Scandia, Kansas

NOTES TO FINANCIAL STATEMENTS

June 30, 2014

Revenue Code. The State of Kansas is required to contribute the statutory required employers share. The amount of KPERS Employer Contribution Payments FYE 6/30/2014 was \$140,440.

NOTE H- RISK FINANCING AND RELATED INSURANCE ISSUES

The district is exposed to various risks of loss related to torts; theft of, damage to; and destruction of assets; errors and omissions; injuries to employees; and nature disasters. The district continues to carry insurance for all risks of loss including workers compensation. Settled claims resulting from these risks have not exceeded insurance coverage in any of the past three years.

NOTE I- FAIR VALUE OF FINANCIAL INSTRUMENTS

The fair value amounts for cash and cash equivalents approximate carrying amounts due to the short maturities of these instruments. Financial instruments that subject the district to significant concentration and credit risk consist of cash and cash equivalents. The district places its cash in market interest rate accounts and are insured fully by FDIC coverage and pledged securities with fair market value equal to or greater than its cash and cash equivalents.

NOTE J- FIDUCIARY/TRUST TYPE FUNDS

The District has under its control a non-expendable trust fund for the purpose of awarding scholarships to graduates of Pike Valley High School to assist them in continuing their education. The balances at 06/30/14 and 6/30/13 were \$143,145 and \$144,097 respectively. (Please Refer to Statement 4 for breakdown.

NOTE K- OTHER POST-EMPLOYMENT BENEFITS

As provided by K.S.A 12-5040, the District allows retirees to participate in the group health insurance plan. While each retiree pays the full amount of *the* applicable premium, conceptually, the local government is subsidizing the retirees because each participant is charged a level of premium regardless of age. However, the cost of this subsidy has not been quantified in these financial statements. Under the Consolidated Omnibus Budget Reconciliation Act (COBRA), the District makes health care benefits available to eligible former employees and eligible dependents. Certain requirements are outlined by the federal government for this coverage. The premium is paid in full by the insured. There is no cost to the District under this program.

NOTE L- IN-SUBSTANCE RECEIPT IN TRANSIT

The District received \$185,460 subsequent to June 30, 2014 and as required by K.S.A. 72-6417 and 72-6434 the receipt was recorded as an in-substance receipt in transit and included as a receipt for the year ended June 30, 2014.

NOTE M- LONG-TERM DEBT

The District currently has no long-term debt issued.

NOTE N- CAPITAL PROJECT COMPLIANCE

The District currently has no capital projects being undertaken.

NOTE O- LITIGATION CONTINGENCIES

The District currently has no litigation contingencies that it is involved in.

NOTE P- COMMITMENT AND CONTINGENCIES

The District receives significant financial assistance from numerous federal and state governmental agencies in the form of grants and state pass through aid. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material effect on any of the financial statements of the District at June 30, 2014.

NOTE Q- SUBSEQUENT EVENTS

These financial statements considered subsequent events through November 10, 2014 the date the financial statements were available to be issued.

NOTES TO FINANCIAL STATEMENTS

June 30, 2014

NOTE R INTER-FUND TRANSACTIONS

Recurring annual transfers between budgetary funds for the purpose of shifting resources from the fund legally required to receive the revenue, to the fund authorized to expend the revenue, have been segregated from normal revenues and expenditures for reporting purposes are are:

FROM	TO	2014	2013
General	Food Service	\$ 15,000	\$ 15,000
General	Special Education	239,309	251,331
General	Vocational Education	0	30,000
General	Capital Outlay	27,158	21,535
General	At Risk K-12	1,631	30,000
	Totals	283,098	347,866
Supplemental General	Food Service	25,000	36,504
Supplemental General	Vocational Education	100,000	121,194
Supplemental General	Professional Development	10,000	5,000
Supplemental General	Special Education	120,000	140,000
Supplemental General	At Risk K-12	150,000	149,938
Supplemental General	Driver Training	7,000	6,155
Supplemental General	Textbooks	23,312	10,000
	Totals	435,312	468,791
	Totals	718,410	816,657

The above transfers are included in the expenditures of the disbursing fund and included in the revenues of the receiving fund as required by the Cash Basis and Budget Laws of Kansas, and for budget comparison purposes.

NOTE S INTER-GOVERNMENTAL ASSISTANCE-STATE

Type of Aid	Fund	2014	2013
State Equalization	General	\$ 1,367,824	\$ 1,483,093
State Equalization	Supplemental General	217,102	249,017
Special Revenue State	GSA Transportation Weighting	65,796	0
Special Revenue State	Spec. Ed. Transportation Weighting	20,866	0
State Safety	Drivers Training	1,360	1,674
State Food Service	Food Service	1,544	1,491
State Special Ed	Special Education	198,443	251,331
KPERS Employer Cont.	KPERS	140,440	122,933
	Totals	2,013,375	2,109,539

NOTES TO FINANCIAL STATEMENTS

June 30, 2014

NOTE T FEDERAL ASSISTANCE

Type of Aid	2014	2013
Ed. JobsFund	\$ 0	\$ 0
Supplemental ARRA	0	0
Title I Current	41,046	45,607
Title II Teacher Quality	8,127	8,664
Food Service	86,256	69,867
Federal REAP	0	0
Character Education	0	500
Totals	<u>135,429</u>	<u>124,638</u>

Federal programs in which the school district participated have specified for what purpose funds are to be expended.
All funds unexpended at June 30, 2014 are restricted to federal program specified expenditures.